

April 20, 2006

TO: Members, EOF Board of Directors

FROM: Glenn B. Lang, Ed.D, EOF Executive Director

SUBJECT: Resolution 12:06 Approval of Preliminary FY 2007 Allocation - Article III and Article IV 2006 Summer Program, Academic Year Article IV, Academic Year Article III Undergraduate, and Graduate Grant Allocations, and King, and Ferguson Scholarships

Governor Corzine has recommended level funding for EOF Article III and Article IV, the Martin Luther King Physician-Dentist Scholarship, and the C. Clyde Ferguson Law Scholarship for FY 2007.

Table I
FY 2007 EOF Budget Recommendation

	FY 2006 Actual	FY 2007 Request	FY 2007 Recommd. (\$)
Article IV	\$12,885,000	\$14,885,000	\$12,885,000
Article III	26, 910,000	27,660,000	26,910,000
Total EOF	\$39,795,000	\$42,545,000	\$39,795,000
C. Clyde Ferguson	200,000	200,000	200,000
Martin Luther King	602,000	602,000	602,000
Grand Total	\$40,597,000	\$43,347,000	\$40,597,000

It is important to note that level funding the campus programs does not guarantee the same level of services or number of students served in the year before.

The EOF budget is distributed in two broad categories: (a) Article III (Opportunity Grants) which is used to fund the summer pre-freshman program, summer attendance for renewal students, and academic year student grants; and (b) Article IV (Supplemental Education Grants) which funds the 12-month campus programs' support services components and portions of the summer program that are not covered by Article III.

Key points to remember:

- **EOF summer programs span two fiscal years.** Therefore, the resources for the upcoming summer program -- both Article III and Article IV -- can be derived from both years (FY 2006 and FY 2007). This understanding forms the foundation of our proposal to the Board.

- EOF allocations to campus programs are made up of funds from the appropriations plus reserves, end of year balances, and also refunds that the Fund is allowed to maintain. In essence, the operating budget has always been greater than the appropriations.
- EOF received a \$3.5 million Article III increase in the FY 2006 appropriation. **Because it came after the admissions season was completed, we have a larger than usual balance in that account.** In the July 28, 2005 Board materials, staff projected that the costs of providing additional Article III to institutions so that they could (1) restore student grants to the maximum amount allowed for the sector that were reduced during the 2004/2005 academic year to sustain enrollment levels, (2) increase award levels by \$100, and (3) provide additional funding to support a seven percent (7%) increase in student enrollment at each campus program, would use approximately \$1,877,563 of the \$3.5 million, leaving \$1,622,437 for potential enrollment increases. **As of March 31, 2006, we are projecting a balance of approximately \$1.6 million that can be used to front-fund the summer 2006 program.** This balance offers the opportunity to continue to front-fund summer programs because many summer costs (such as student registrations, faculty and instructors contracts, dormitory reservations, and food service agreements) are completed before the end of the fiscal year. This balance will also allow us to creatively address our long-standing need to provide additional Article IV funding for the programs' 12-month budgets.

Our proposal: Use a portion of the \$1.6 million Article III balance to free up Article IV funds that have been used to support the summer program. Redistribute those Article IV funds to support the EOF campus programs' 12-month budgets. For the past several years the Board and Commission have sought Article IV increases without success. This proposal allows us to address the continuing Article IV shortage by redistributing our existing resources as follows:

1. Replace \$582,523 of the portion of the summer program that is currently funded from Article IV with balances we have from the FY 2006 Article III appropriation.
2. Redistribute the Article IV funds that will no longer be used for the summer to the campus programs in their academic year budgets to help support their twelve-month programming.
3. Use the remainder of the FY 2006 Article III balance of \$1,017,477 to fund a larger portion of the upcoming summer's program activities that would normally be supported by the new fiscal year (FY 2007) Article III appropriation. This will reduce the amount of FY 2007 Article III funds needed for the 2006 summer program, and consequently increase the sum of money available to be reserved to front-fund the 2007 summer program.

The staff views this proposal as a wise use of existing resources to respond to an area that the Board and community have identified as the highest priority need (i.e., additional academic year Article IV program support funds). Using this method will also allow the Fund to maintain our summer funding levels, even in the event of continued level funding in the future. **It is important to note that this proposal is not a shift in the base amount of total Article IV or a transfer of Article IV to Article III (which would require permission from Treasury). Rather, it is simply a shift in where funds within the exiting budget resources are targeted.**

There is a precedent for shifting summer program cost allocations or using additional Article III to support more of the summer programs' costs. Prior to fiscal 1989, the summer program was funded entirely by Article III.

According to the 2nd *Annual Report of the Educational Opportunity Fund* (1971) "summer programs were initiated as a component of EOF during summer of 1969 and where funded wholly by Article III". At its meeting on **March 30, 1989, the Board adopted Resolution 13:88 approving the use of Article IV funds for the first time during the summer program.** At that time, the concern was the EOF Central Office's need for a more efficient method of accounting. Advances in technology and information processing, as well as a move from strict central line item budgeting (which we used in 1989), eliminated this concern. Today the concern is not Central Office administrative processes but, rather, using the available resources in a responsible manner to strengthen programs that provide direct services to students.

In addition, we propose that:

4. **Institutions receive at least the same amount of Article III funding for academic year student grant awards that the Board approved at its July 2005 meeting.** At that time, the Board decided that, given the timing of the FY 2006 Article III increase, it was too late to expect institutions to increase enrollments for the academic year 2005/2006. **With the approval of Resolution 1:06 on July 28, 2005, the Board decided that if the FY 2006 Article III increase of \$3.5 million was included in the FY 2007 budget recommendation again, institutions would receive the same dollar amount of academic year Article III funds for their preliminary FY 2007 allocation.** In addition any institution that exceeded its FY 2006 allocation is recommended herein to receive an increase for academic year 2006/2007 equal to their expenditure for students in this academic year.
5. All programs will receive level Article IV base funding for their 12-month campus program operations, and the additional funds that are redirected from the summer program will be distributed as follows: (a) distribute \$483,737 of the previously used Article IV summer funds as a four percent across the board (or minimum of \$5,000 per program) increase to all campus EOF programs, and (b)

reserve the remainder (\$98,786) to be distributed to programs at a future date based on program outcomes.

6. King and Ferguson grants will also remain at the same level allocation.
7. The proposed budget allocation projects \$118,117 in Article IV funds for Central Initiatives. The Central Initiatives budget category includes \$80,000 in end-of-year balances and refunds, and \$38,117 in FY 2007 funds that the Board draws against to support student and professional development activities that are offered on a statewide basis (e.g., the Student Day Awards Luncheon, EOF Professional Association Conference, and the Counselor Training Institute). The Central Initiatives account also funds our graduate assistant. It will also continue to be our resource to fund the campus site visits by external evaluators. The \$80,000 may increase as the institutions submit expenditure reports (and refunds) at the end of the fiscal year. A list of proposed activities for FY 2007 will be provided at the September 2006 Board meeting. At that time, we will have a more conclusive accounting of available Article IV balances.
8. Finally, the academic year student grant payment process will not be completed until May 5, 2006 because institutions have the ability to submit appeals and correct errors until that date. The Fund may also receive additional refunds of Article III and Article IV. Consequently, the EOF Central Office staff anticipates that there will be minor fluctuations in the Article III and Article IV balances and requests that the Board grant the Executive Director the flexibility to make changes, if necessary, in the 2006 summer program allocations recommended. Any changes to the 2006 summer program allocations will be reported to the EOF Board at the July meeting.

The sector summaries, by account and activities, are listed in the following attachments:

- **Attachment A:** Summarizes the anticipated FY 2007 appropriation and all available resources at this time (TOTAL OPERATING BUDGET) for EOF Articles III and IV, Martin Luther King Physician-Dentist Scholarship, and the C. Clyde Ferguson Law Scholarship, and details the total staff recommended preliminary allocations for summer 2006 and the academic year 2006-2007, as outlined in this memorandum.
- **Attachment B:** Details the summer 2006 preliminary allocations from FY 2006 and FY 2007 funds (both Article III and Article IV) for the campus summer programs. It illustrates the overall distribution of \$582,523 of the FY 2006 Article III balances that will be used to pay a portion of summer expenses normally covered by Article IV funds, from each program. This works out to shifting 40 percent of the summer's Article IV costs to Article III.
- **Attachment C:** Outlines the preliminary Article IV allocations to each institution to administer their 12-month campus program. It shows the current FY 06 allocation

and the increase each institution would receive from the Article IV funds released from the summer programs (\$582,523) at a rate of four percent above FY2006 (or a minimum of \$5,000). These allocations total \$11,874,313. The balance of the funds (\$98,786) released from the summer programs will be available for outcomes based funding which will be brought to the Board at a future date.

- **Attachment D:** Distributes academic year (fall and spring semester) Article III grants for undergraduate and graduate students. These allocations total \$18,867,087.
- **Attachment E:** Distributes academic year student grants under the Martin Luther King Physician-Dentist Scholarship totaling \$602,000, and the C. Clyde Ferguson Law Scholarship which totals \$200,000.

RESOLUTION 12:06

RESOLUTION APPROVING ALLOCATIONS FOR THE FY 2007 EDUCATIONAL OPPORTUNITY FUND PROGRAM, including:

- **ARTICLE III AND ARTICLE IV ALLOCATIONS FOR THE SUMMER 2006 PROGRAM;**
- **ARTICLE IV ACADEMIC YEAR 2006-2007 PROGRAM SUPPORT ALLOCATIONS;**
- **ARTICLE III UNDERGRADUATE AND GRADUATE STUDENT GRANTS; AND**
- **MARTIN LUTHER KING PHYSICIAN-DENTIST SCHOLARSHIPS AND C. CLYDE FERGUSON LAW SCHOLARSHIPS**

WHEREAS: The EOF Board of Directors has the responsibility for evaluating and approving the allocations of each participating program; and

WHEREAS: The budget review process has been completed by the CHE/EOF staff for all programs and reviewed with the Board's Budget Committee; and

WHEREAS: The proposed allocations are summarized in Attachment A; and

WHEREAS: The Board reaffirms its policy of maintaining quality programs; now, therefore, be it

RESOLVED: That the Board will replace \$582,523 of the summer program that was funded from Article IV in the past with funds from the FY 2006 Article III appropriation; and be it further

RESOLVED: That the Article IV funds that no longer support the summer program will be redistributed to support the campus programs for the academic year to help support their 12 month program budgets, and be it further

RESOLVED: That the remainder of the FY 2006 Article III balance of \$1,017,477 will be used to front-fund the summer program activities that would normally be supported by the FY 2007 Article III appropriation, and be it further

RESOLVED: That the EOF Board of Directors shall allocate funding in the amount of \$8,937,913 – Article III and \$873,784 – Article IV to support the summer 2006 program. These funds shall be distributed according to Attachment B; and be it further

RESOLVED: That the Board shall allocate the Article IV program support appropriations in the amount of \$11,874,313, to provide support services to an anticipated 13,127 undergraduate students in the academic year. These Article IV allocations will also include \$483,737 of the \$582,523 in Article IV funds that were redirected

from the summer program to provide each campus program with a four percent across the board increase in their base. These funds shall be distributed according to Attachment C; and be it further

RESOLVED: That the Board will reserve the remaining \$98,786 of the \$582,523 in Article IV funds redirected from the summer program to redistribute to campus programs based on program outcomes at a future Board meeting; and be it further

RESOLVED: That Article IV Program Support funds, in the amount of \$118,117 (of which \$80,000 is available from FY 2006 balances) are reserved for Central Initiatives for the 2006-2007 academic year program. The projected distribution of these funds shall be reviewed by the staff and the Board, and approved at the September Board meeting; and be it further

RESOLVED: That the Board shall allocate \$18,285,403 of the Article III student grant appropriation to support 13,127 undergraduate students and \$581,684 to support approximately 185 graduate students for academic year 2006-2007. These funds shall be distributed according to Attachment D; and be it further

RESOLVED: That the Board shall reserve \$1,800,000 of the Article III student grant appropriation for the 2007 summer program; and be it further

RESOLVED: That the Board shall allocate the \$602,000 King Scholarship appropriation to support up to 60 students at the University of Medicine and Dentistry of New Jersey and the \$200,000 Ferguson Scholarship appropriation to support up to 60 students at the Rutgers University and Seton Hall Law Schools for academic year 2006-2007 according to the distribution found in Attachment E; and be it further

RESOLVED: That the Board shall give the CHE/EOF Executive Director the authority to make adjustments to the 2006 summer program Article III and Article IV allocations proposed, as funds become available at the end of the academic year and report those changes to the Board at the July 2006 EOF Board meeting; and be it further

RESOLVED: That these preliminary allocations are based upon the Governor's FY 2007 budget recommendations, plus anticipated balances and refunds. In the event that sufficient funds are not available in the final FY 2007 Appropriations Act, these allocations will be adjusted for subsequent Board consideration.

Adopted: April 20, 2006